



**THE INFLUENCE OF ENTERPRISE RISK MANAGEMENT (ERM) ON
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Abstract

This study aims to analyze the effect of Enterprise Risk Management (ERM) on firm value. The sample consisted of companies in the transportation and warehousing, service, and food and beverage subsectors in 2023, with a total of 100 observations. Hypothesis testing used multiple regression analysis. The results indicate that ERM has a positive effect on firm value. This research has implications for companies and policies that support ERM disclosure so that it can function optimally in increasing firm value.

Keywords: Enterprise Risk Management, Firm Value, Managerial Ownership, Firm Age, Firm Size



INTRODUCTION

High competitiveness makes companies increasingly competitive, requiring them to strive for maximum profit and increase company value. When running a business, managers need to be mindful of various risks. (Fatonah & Fauziyah, 2022) The importance of risk management has been recognized by rating agencies, public authorities, and stock exchanges, which have promoted the practice of Enterprise Risk Management (ERM) as a key paradigm in managing a company's risk portfolio (Anton, 2018).

Managers play an important role in decision-making related to risk, must be able to plan improvements, resolve conflicts, and allocate resources well (Gutama, 2021). ERM helps companies manage risks to achieve goals, with awareness of the challenges they may face. (Fatonah & Fauziyah, 2022) According to Mark Beasley, ERM focuses not only on future risks but also on current risks, allowing companies to adapt and maintain operational sustainability.

Companies are expected to convey information transparently in financial reports, so that investors can analyze existing risk management. (Hakim & Triyanto, 2018) With ERM, companies can provide more comprehensive information, both financial and non-financial, which is an indicator of the quality of the report. (Azizah, 2020) This information is important for stakeholders to evaluate corporate transparency and governance before investing (Njatrijani et al., 2019).

A company's value increases with the number of investors (Aprilia et al., 2022). Company value reflects shareholder well-being and is a benchmark for the potential wealth generated (Mottoh & Sutrisno, 2020; Utami et al., 2021).



High company value also impacts investor well-being, as investors expect a higher return on their invested capital (Syafitri et al., 2023).

LITERATURE REVIEW

Signal Theory

Signaling theory explains that company management has more information than investors, and they typically convey this information through annual reports. If investors don't understand the signals conveyed, potential profits may be suboptimal. Annual reports serve as a window of transparency that allows stakeholders to understand the company's condition and performance (Saputro et al., 2019).

Enterprise Risk Management (ERM)

ERM is the process of evaluating and managing corporate risks within a coordinated and strategic framework (Nasr et al., 2019). ERM disclosures are about how a company controls future risks and reflect management's effectiveness in managing risks comprehensively. (Sulistyaningsih & Gunawan, 2018) This more modern ERM concept aims to reduce unavoidable losses and maximize opportunities, so that companies can achieve their goals and create value. (Kurniawati, 2023).

Company Values

Company value is crucial because it reflects market value, which directly impacts the well-being of owners and shareholders. An increase in share value indicates that the company's primary objective has been achieved and reflects its success in creating long-term value. (Pamungkas, 2019) The level of stakeholder prosperity is an important indicator in investment decisions, and optimal share

prices are a benchmark for a company's success in providing profits and trust to shareholders (Syafitri et al., 2023).

Hypothesis Development

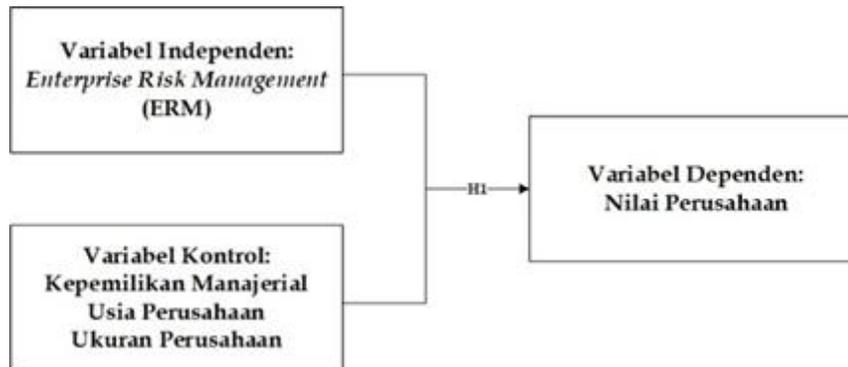


Figure 1.
Research Model

Source: Data processed by researchers, 2025

ERM disclosure is a way for companies to manage risk and maintain stability, which in turn can increase company value. Companies with good ERM disclosure tend to be more attractive to potential investors, as clear information about risk management helps them make investment decisions (Syafitri et al., 2023). The goal of ERM is to build company value that reflects stakeholder well-being by demonstrating managed risks and control efforts. (Cecasmi & Samin, 2019) Comprehensive and transparent risk management can attract stakeholder interest and increase stock demand, positively impacting company value. Research by Wahyuni & Oktavia (2020) shows a significant relationship between ERM and company value.

Based on signal theory, presenting complete information can send a positive signal to investors (Solikhah & Hariyati, 2019). Signaling theory explains that transparent annual reports can provide benefits to investors, because complete information regarding risks can increase investment interest. (Diba, 2020). Good ERM disclosure creates added value for the



company, and the more risk management information presented, the better the company's value.(Supriyadi & Setyorini, 2020). Transparency of information regarding ERM also helps stakeholders in making investment decisions (Devi et al, 2017). Therefore, the proposed hypothesis is:

H1: Enterprise Risk Management has an impact on company value.

RESEARCH METHOD

This type of research is quantitative. The sample used is companies in the Transportation and Warehousing, Service, and Food and Beverage sectors in 2023. The data collection technique uses the documentation method, the data analysis technique uses multiple linear regression, and the data processing method uses the SPSS version 30 program. The sampling technique uses a purposive sampling technique. The criteria for determining the research sample are as follows: (1) Companies in the Transportation and Warehousing, Service, and Food and Beverage sectors listed on the Indonesia Stock Exchange (IDX) in 2023. (2) Companies that are not included in companies that have just conducted an IPO (relisting) in 2023. (3) Companies that have not experienced delisting during the research period. (4) Companies that provide or have annual reports during the research period. (5) Companies that have complete data and information related to the research variables during the research period.

Enterprise Risk Management

The proxy used is the ERM disclosure index, COSO ERM Framework 2017, which refers to research by Devi et al (2017) and Pertiwi & Suhartini (2022):

$$ERM = \frac{\text{Total score of disclosed ERM items}}{\text{Total ERM items that should be disclosed}}$$



ERM disclosure is a content analysis (checklist) with a dichotomous approach, measured by assigning a score to each measurement item within this variable. If a company discloses ERM, it is given a score of 1; if it does not, it is given a score of 0. Each item is scored to calculate the total disclosure score for each company.

Company Values

Company value reflects the level of welfare that can be enjoyed by owners and shareholders, especially when there is an increase in share prices.(Pamungkas, 2019).According to Setiawati and Lim (2018), company value reflects the overall level of a company's performance. This is measured using the Price-to-Book Value (PBV) ratio, referring to research by Lestari et al. (2024).

$$PBV = \frac{\text{Current Stock Price}}{\text{Book Value per Share}}$$

Managerial Ownership (MO)

Managerial ownership encourages managers' responsibility towards the company, as they not only function as employed external parties, but are also involved in decision-making like other shareholders (Aprilia et al., 2022). Managerial ownership is measured by referring to research(Prabowo, 2022):

$$MO = \frac{\text{Shares owned by management}}{\text{Number of shares outstanding}} \times 100\%$$

Company Age (AGE)

Research by Mottoh & Sutrisno (2020) shows that company age reflects the length of time a company has been listed on the Stock Exchange, and the length of a company's operations provides experience that can increase its



ability to generate profits. This variable is measured using research by Sepriani & Candy (2022).

$$AGE = \text{Observation Year} - \text{Company IPO Year}$$

Company Size (SIZE)

Company size is an important indicator in assessing performance, generally measured by total assets. Larger companies have more resources and capabilities to implement comprehensive ERM practices (Iswajuni et al., 2018). Company size can be measured by (Susanto & Permatasari, 2019):

$$\text{Company Size} = \text{LN}(\text{Total Aset})$$

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

A total of 100 observations that successfully passed the selection and sampling process were then analyzed using descriptive statistical tests. This test was conducted to examine the characteristics of the research data, such as the maximum, minimum, average, and standard deviation values of each variable used. The results of the descriptive statistical tests are detailed in Table 1.

Table1.
Descriptive Statistical Test Results

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Standard Deviation
ERM	100	0.350	0.950	0.660	0.167
PBV	100	0.169	32,335	2,193	3,762
MO	100	0.000	0.009	0.002	0.002
AGE	100	1,000	39,000	10,460	10,573
SIZE	100	17,371	32,860	27,568	2,142
Valid N (listwise)	100				



Source: Data processed by researchers, 2025



Classical Assumption Test

Normality Test

Table 2.
Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
Unstandardized Residual		
N		100
Normal Parameters ^{a,b}	Mean	0.000
	Standard Deviation	0.913
	Most Extreme Differences	
	Absolute	0.052
	Positive	0.052
	Negative	-0.037
Test Statistics		0.052
Asymp. Sig. (2-tailed) ^c		0.200 ^d

Source: Data processed by researchers, 2025

Based on the data presented in Table 2, the Kolmogorov-Smirnov test results show an Asymptotic Significance (2-tailed) value of 0.200. Because this value is above the significance limit of 0.05, it can be concluded that the residuals from the regression model have met the assumption of normality.

Multicollinearity Test

Table 3.
Multicollinearity Test Results

Coefficients^a		
Model	Collinearity Statistics	
	Tolerance	VIF
1	ERM	0.995
	MO	0.931
	AGE	0.885
	SIZE	0.923

a. Dependent Variable: PBV

Source: Data processed by researchers, 2025

Based on the results of the tests carried out, the independent variables and control variables showed a tolerance value exceeding 0.1 and a Variance



Inflation Factor (VIF) value below 10. This condition indicates that there is no indication of multicollinearity in the regression model used.

Heteroscedasticity Test

In this study, the heteroscedasticity test used the Park Test; the results of the Park test can be seen in Table 4.

Table 4.
Heteroscedasticity Test Results

	N	Unstandardized Coefficients	
		Sig. (2-tailed)	
1	ERM	100	0.383
	MO	100	0.747
	AGE	100	0.402
	SIZE	100	0.099

a. Dependent Variable: PBV

Source: Data processed by researchers, 2025

Table 4 shows that the significance values (sig.) for all independent and control variables are above the 0.05 threshold. This indicates that the regression model used does not experience heteroscedasticity, so the residual variance is constant across the range of independent variable values.

Multiple Regression Analysis and T-Test

Table 5.
Multiple Test and T-Test Results

Model	Coefficients ^a				t	Sig.
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta			
(Constant)	2,269	3,884			0.584	0.560
1	ERM	0.830	0.354	0.227	2,348	0.021
	MO	0.054	0.030	0.179	1,791	0.076
	AGE	-0.126	0.087	-0.149	-1,452	0.150
	SIZE	-0.296	1,185	-0.025	-0.250	0.803



a. Dependent Variable: PBV

Source: Data processed by researchers, 2025

- a) The regression results show that the ERM variable has a coefficient of 0.830 with a significance level of 0.021. Because this significance value is below the 5% significance limit ($\alpha = 0.05$), the variable's influence is declared statistically significant. This finding indicates that the implementation of ERM-based risk management contributes positively to increasing company value.
- b) The regression coefficient for managerial ownership is 0.054 with a significance level of 0.076. Because this significance value is greater than 5% ($\alpha = 0.05$), the coefficient is declared insignificant. Therefore, it can be concluded that managerial ownership has a negative effect on firm value.
- c) The regression coefficient for firm age is -0.126 with a significance level of 0.150. Because this significance value exceeds the 5% threshold ($\alpha = 0.05$), the coefficient is declared insignificant. Thus, it can be concluded that firm age has a negative effect on firm value.
- d) The regression analysis of firm size yielded a coefficient of -0.296 with a significance level of 0.803. Because this significance value exceeds the 5% threshold ($\alpha = 0.05$), the effect of firm size on firm value is statistically insignificant. Therefore, it can be concluded that firm size, measured in this case by total assets, negatively impacts firm value.

Analysis of the Coefficient of Determination (R²)

Table 6.
Results of the Determination Coefficient Test

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate



1	0.344a	0.118	0.081	0.932
a. Predictors: (Constant), ERM, MO, AGE, SIZE				

Source: Data processed by researchers, 2025

Based on the data presented in Table 6, the coefficient of determination (Adjusted R Square) is 0.081. This figure indicates that the independent variables and control variables together can explain 8.1% of the variation or change in company value. However, there is 91.9% of the variation in company value is not explained by this model, which is likely influenced by factors other than the variables studied.

Discussion

Based on the test results, it was found that effective risk management not only protects companies from losses but also contributes to increasing company value in the market. The better the risk management and disclosure, the more positive market perception, which can drive stock prices and company value upwards. This finding can be explained through Signaling Theory, which states that companies can reduce information asymmetry by providing positive signals to investors. This increases investor confidence and reflects good governance, which in turn can improve market perceptions of the company's stability and long-term prospects.

Increased investor confidence will encourage greater investment interest, increase stock demand, and impact company valuation. Comprehensive disclosure of risk management information provides a positive signal regarding a company's ability to manage risk, thereby increasing investor confidence in the security of their investments and the company's future prospects. The results of this study reinforce the premise that the higher the intensity and quality of



ERM disclosure, the stronger the positive signal conveyed to the market, significantly impacting company value.

CONCLUSION

This study was conducted to analyze the effect of Enterprise Risk Management (ERM) on firm value, considering managerial ownership, firm age, and firm size as control variables. The research focused on companies in the transportation and warehousing, service, and food and beverage sectors listed on the Indonesia Stock Exchange (IDX) in 2023. The results showed that Enterprise Risk Management (ERM) positively impacted firm value. This suggests that sound ERM implementation can improve investor perceptions of a company's prospects, thus increasing firm value.

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